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FISCAL IMPACT STATEMENT

LS 7578

BILL NUMBER: HB 1586

NOTE PREPARED: Jan 25, 2005

BILL AMENDED:

SUBJECT: Riverboat Admissions Tax.

FIRST AUTHOR: Rep. Cheney

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: GENERAL
 X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: The bill increases the Riverboat Admissions Tax by \$2 and provides that the new Admissions Tax shall be retained in the state General Fund for Medicaid and the Children's Health Insurance Program.

The bill also provides that a riverboat that provides health insurance to all its employees and their dependents at an out-of-pocket expense to the covered employees of less than 3% of the riverboat's gross taxable payroll for the covered employees is entitled to a credit against the Admissions Tax. It also provides that the credit is equal to \$2 per person admitted to the riverboat.

Effective Date: July 1, 2005.

Explanation of State Expenditures: The Department of State Revenue (DOR) will incur additional expenses to revise tax forms, instructions, and computer programs in order to implement the additional Admission Tax and to implement the credit system relating to the additional Admission Tax. The DOR's current level of resources should be sufficient to implement these changes.

Explanation of State Revenues: The bill imposes an additional \$2 Riverboat Admission Tax on admissions occurring after June 30, 2005. The revenue from the additional Admission Tax is to be deposited in the state General Fund and used exclusively for Medicaid and the Children's Health Insurance Program.

In addition, the bill allows a riverboat owner a \$2 per admission credit against the additional \$2 Riverboat Admission Tax if the owner provides health insurance to all the owner's employees and their dependents at an

out-of-pocket expense to the covered employees of less than 3% of the riverboat's gross taxable payroll for the covered employees.

In FY 2004, admissions to the state's 10 riverboat casinos totaled almost 26.6 M. Based on recent trends in admissions, this total could potentially grow by about 1% annually. As a result, the additional \$2 tax could potentially generate \$54.0 M in FY 2006 and \$54.5 M in FY 2007. This assumes that the additional \$2 tax does not affect riverboat operations such that admissions grow at a lower rate, or decline. This could potentially occur if owners adjust to the tax by other means than meeting the health insurance coverage requirement and the changes negatively affect riverboat patronage. These adjustments could include imposition of an admission fee on patrons or reductions in customer service or marketing programs. This could potentially have an indeterminable effect on revenue from existing Riverboat Admissions and Wagering Taxes.

The number of riverboat owners currently not meeting the health insurance coverage requirement is unknown. In addition, the response to the additional tax and the tax credit is indeterminable. As a result, the potential credits that may be claimed and overall increase in revenue is currently indeterminable.

Background Information: The revenue from the additional Admission Tax is to be deposited in the state General Fund and used exclusively for Medicaid and the Children's Health Insurance Program. FY 2004 General Fund expenditures for Medicaid services totaled \$1,190 M and are estimated to be \$1,331 for FY 2005. Growth rates for future Medicaid expenditures are estimated to be 5% to 10%. Children's Health Insurance Program expenditures from state funds were approximately \$22.519 M for FY 2004 and are estimated to be approximately \$25.167 M for FY 2005. The state share for program expenditures currently are paid from revenues received from the Tobacco Master Settlement Agreement.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Indiana Gaming Commission, *Annual Report to the Governor, FY 2004*.

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